SYNOPSIS

ON

Impact of Goods and Services Tax on Indian Economy

Submitted For Registration

In

Doctorate of Philosophy in Business Management

Haryana School of Business

Guru Jambheshwar University of Science & Technology,

Hisar – 125001

Supervised by:	**Co-Supervised by:**	**Submitted by:**
Prof. Karam Pal Narwal	Prof. Sanjeev Kumar	Shubham Garg
Haryana School of Business	Haryana School of Business	Research Scholar
GJUS&T, Hisar	GJUS&T, Hisar	Roll No.-190100090157

Name of the Student	**:**	Shubham Garg
Roll No.	**:**	190100090157
Subject	**:**	Finance
Name of the Supervisor	**:**	Prof. Karam Pal Narwal
		Prof. Sanjeev Kumar (Co-Supervisor)

Proposed topic of the Research:

Impact of Goods and Services Tax on Indian Economy

1. Introduction

The tax management is a key factor for the generation of revenues for the government especially for emerging economies such as India. At the time of independence, the Indian economy inherited a tax structure regressive in nature with an opposing bias both domestically and internationally (Purohit, 1992). However, with the passage of time, alternative fiscal reforms were incorporated with the purpose of improving the efficiency of the tax structure of the country. The introduction of VAT (Value Added Tax) at the state level was the initial step towards a more competitive and transparent tax structure with expansion in the tax base, increased tax buoyancy and better tax compliance (Mukherjee, 2015). However, the Indian Government was not able to introduce a harmonized VAT at the sub national level. One of the major issues that even sustained in indirect taxation system of India after the implementation of VAT was incidence of cascading. Cascading implies double taxation or the prevalence of a tax on some already paid taxes (Khoja and Khan, 2020). Therefore, the Government of India and experts suggested for the adoption of Goods and Service Tax (GST) by repelling all indirect taxes at the central and state level.

1.1 **History of GST in India:** The journey of GST in India was initiated in the year 2000 on the suggestion of former Prime Minister Atal Bihari Vajpayi by setting up an Empowered Committee under the Chairmanship of Asim Das Gupta for designing the GST Model in India. In 2004, Kelkar task force under the Chairmanship of Vijay L. Kelkar had suggested a comprehensive Goods and Service Tax to mitigate the issues in the existing indirect taxation. In 2005-2006, it was discussed by former Finance Minister P

Chidambaram in the budget session and 1st April 2010 was set as the introductory date for implementation of GST in India. The Empowered Committee submitted its report in the year of 2008 to the Central Government titled "A Model and Roadmap Goods and Services Tax (GST) in India" along with broad design and structure of GST. In 2009, the Finance Minister Pranab Mukherjee announced the basic structure and design of GST for India. In the same year, the Empowered Committee released the first discussion Paper on GST that included the mechanism of dual GST for India. After a long political debate in 2014, the then Finance Minister Arun Jaitley introduced the Constitution (122th Amendment) Bill 2014 in Parliament, which became Constitution (101st Amendment) Act 2016 on 8th September 2016. After the final assent of the President of India, the GST was adopted from 1st July 2017 in India.

1.2 **Why adoption of GST in India:** The tax revenue is a major source in generation of resources for the governments around the globe due to unwavering search of the government for resources to meet the need of the public, wealth redistribution and economic development especially for emerging countries like India (Andreoni *et. al* 1998, Ibrahim *et al.* 2015). In India, the government has revenue from two types of taxes i.e. direct and indirect taxes. But the indirect tax system before the adoption of GST was hindered in multi-layered taxes levied by the state and Central Governments at multiple stages of the supply chain such as octroi, excise duty, value-added tax and central sales tax (Rupa, 2017). One of the biggest problems that even continued after the adoption of VAT was cascading effect of indirect taxes in India. Cascading implies double taxation or incidence of tax on some already paid taxes. This cascading effect of taxation gives rise to complexities in taxation system (Khoja and Khan, 2020). Therefore, the Government of India has decided to adopt Goods and Service Tax in India to remove the complexity and cascading effect of taxation. Sherawat and Dhanda (2015) found that the adoption of GST would unify all the indirect taxes under an umbrella and help in creation of „One Nation, One Market and One Taxation" by removing the cascading effect of taxation in India. Gupta (2014) found that the introduction of GST would result in elimination of large number of taxation i.e. octroi duty, service tax, turnover tax, stamp duty, and state level sales tax. Vasantgopal (2011) found that adoption of GST in India would eliminate

all the complexities in current taxation system and would be great leap in Indian taxation system.

1.3 **Impact of adoption of GST on Indian Economy:** GST is expected to provide the much needed stimulant for economic growth in India by transforming the existing basis of indirect taxation towards free flow of goods and services within the economy and also eliminating the cascading effect of tax on tax. Kour *et al.* (2016) found that the adoption of GST in India would play an active role in the development of Indian economy. Lourdunathan and Gupta (2017) found that GST will help in gaining of revenue and resources for both states and centre governments through enhancement in tax compliance and widening of tax base. Dash (2017) found that the adoption of GST would help in reducing the black money generation and economic development of the country. Sankar (2017) found that the implementation of GST would be beneficiary for some sectors i.e. consumer durable goods, cement and automobile industry and would have some negative effect on some sector i.e. telecommunication, technology, pharmaceutical and financial service would become costlier. John and Dhannur (2019) found that GST implementation have a negative hit on service sector of India. Morris *et al.* (2007) found that the GST would result in increase in inflation by 0.6% on an average in India. Madathil (2019) found that every group of item has had an increase after the implementation of the GST in India. There was found to be an increase of 5.9% in general index of CPI after the adoption of GST.

2. Review of Literature

A review of literature basically identifies, evaluates and synthesizes the applicable literature within a specific area of study. The various researchers have made contribution towards the literature on GST and its impact on various developed and developing countries. Some of the major studies on GST have been reviewed as below:

Gupta *et al.* (1995) studied the determinant of tax revenue and tax compliance by using the aggregate data from 1966 to 1992 in India. They found that tax revenue and tax compliance both were affected by tax structure prevail in the country i.e. rate of taxation and exemption limit. They further found that inflation had a significant negative impact and conventional enforcement tools i.e. penalties and prosecutions have limited effect on tax compliance and tax revenue. The study suggested that there was a need of tax reforms

in India to boost the tax revenue and advance the tax standards in compliance to international tax standards.

Liberati (2001) studied the welfare and distributional effect of indirect tax changes in Italy by Comparing and applying two complementary and related method of analysis. The result of the study found no evidence that the reforms have any redistributive purchasing power among household in Italy. They have found that a simple two rate VAT structure would provide the same level of revenue and increase in welfare for the households. The decision of dipping the number of VAT rates would be welcomed by the households even in the existence of distributional concern.

Valadkhani and Layton (2004) analyzed the impact of GST implementation on inflation in 8 capital cities of Australia using the box and trio intervention analysis on consumer price index data from 1948 to 2003. The result of the study found that GST implementation in Australia had a positive effect on inflation but of transitory nature. The inflation found to be increase by 2.8% in Australia only in September quarter of 2000 when GST was implemented in Australia. The result also revealed that there was no significant difference in inflation in selected eight cities of Australia.

Koch *et al.* (2005) studied the tax structure and economic growth of South Africa by using the data from 1960-2002. The result of the study found that reducing the tax burden is directly associated with increase in economic growth. They further found that decrease in indirect tax burden was more highly correlated with increase in economic growth in comparison to decrease in direct tax burden. Therefore, the government should focus on reducing the indirect tax burden on households for increasing the economic growth.

Poddar and Ahmad (2009) found that the implementation of GST has potential of one of the most vital initiative in fiscal history of India. It would build up the path for up gradation of Indian taxation system; make it more transparent and efficient. The study suggested for adoption of Canadian model of GST in India for potential economic growth. The study estimated that this revolution of indirect taxation in India would result in rise in potential GDP by 1.4%; including of amplification in national income by 0.9% from higher factor productivity and 0.5% amplification from huge capital shocks.

Purohit and Purohit (2010) found that the adoption of goods and service tax would generate sufficient revenue for government if the dual rate of 8% for both SGST and

CGST was adopted and a reduced dual rate of 4% for essential commodities. They have adopted three approaches for estimation of CGST namely: revenue approach, turnover approach and consumption approach. For the purpose of estimation of SGST, they have adopted revenue and consumption approach. They concluded that the adoption of revenue neutral rate would not generate the same revenue as generated under VAT regime but it would not result in any socio economic implication for state and centre government. The fiscal autonomy of the states would be retained by the adoption of dual rate of 8% for both centre and states.

Nepram (2011) studied the revenue implication of state level value added taxes in India. They found that before the adoption of the VAT in India most of the states were scared for loss in revenue due to the adoption of VAT, the Central Government assured the State Governments for any loss of revenue from VAT implementation. But after the adoption of VAT, the revenue for most of states has increase at a rampant rate than under the previous sales tax system. However, they found that richer states have earned more revenue under VAT regime resulting in increase in inter-state disparity in tax collection. The states who have larger dependence on central transfers have earned less revenue under VAT.

Azam (2012) found that the GST would be beneficiary for the consumers as it would diminish the tax burden of the final consumers by eliminating the cascading effect of current taxation. The adoption of GST would also result in increase the government revenue by reducing the tax compliance efforts and cost and by increasing the transparency in present scenario of taxation. The business units would be benefited by complete set off and by removing the cascading effect of taxation.

Zainol *et al.* (2013) studied the perception of tax agents towards the proposed GST in Malaysia by collecting the data from 157 tax agents with a response rate of 13%. The data was collected through the structured questionnaire on 5 point likert scale. The validity of the instrument was measured using factor analysis. The perception of the tax agent was measured in terms of their awareness, attitude, preparedness and understanding. They found that majority of the respondents have positive attitude towards the proposed GST of Malaysia. The majority of the tax agents (81.3%) were agreed that the lack of knowledge and increased burden of documentation among clients was the

major problems in the successful implementation of the GST in Malaysia. They suggested that the government should introduce more seminars and education programs to increase the knowledge of the taxpayers.

Viswanathan (2015) studied the trend and performance of VAT collection in India. The result of the study showed that the revenue collection performance of most of the states was fantastic. During the period from 2011-12 to 2014-15, there was seen a steep increase of 21% in VAT revenue. The excellence performance of revenue collection among states opens the doors for the adoption of GST in India. The study has calculated a revenue neutral rate of 8% to be sufficient for generating revenue for the states.

Firoz *et al.* (2015) studied whether the implementation of GST would stimulate the economic development of India. They have found that the introduction of GST in India would provide a top rated system for collection of taxes and improvement in government revenue by removing cascading effect of taxation. The implementation of GST would provide a business friendly environment for corporate, small retailers and MNCs. It will also boost government financial health as collection of taxes would become more transparent by providing a check on tax evasion practices.

Kadir *et al.* (2015) analyzed the macroeconomic impacts of implementation of GST in Malaysia by taking the numerical simulation period of 2015 to 2030. They analyzed the impact of GST on household saving, consumption and government revenue using computable general equilibrium model. They found that with the increase in GST rate the household consumption and saving worse off. On the other hand, the government revenue tends to be increased with increase in GST rate. They found that increase in government revenue can moderate the distortion on the economy, particularly to finance reduction in consumption expenditure affected by GST implementation.

Hassan *et al.* (2016) estimated the effect of GST on cost of living and cost of production in Malaysia. The result of the study revealed that the adoption of GST would benefit in the growth of the economy. They found that the adoption of GST would result in decline of the prices of goods and services by 7.4% in contrast to only 2% anticipated price rise. The net reduction of prices by 5.4% would boost the purchasing power of people and it also has the prospective to diminish the consumption gap in income classes and ethnic

groups. Although, the real benefit of adoption of GST would also depend on compliance cost of industries.

Hakim *et al.* (2016) studied the impact of GST on economic growth of developed and developing nations. The result of the study showed that GST has impeded the economic growth in developing countries. On the other hand, GST found to be positive and significantly correlated with economic growth of developed nations. The result suggests that flat rate of GST is inefficient in generating government revenue, reducing government debts and stimulate economic growth in developing countries because of the existence of many informal economies in developing countries. The GST has resulted in lowering the growth of per capita income for middle and lower income earners resulting in lowering down their consumption and purchasing power in spite of lower GST rate in comparison to developed nations. The study suggested for implementation of different rates of GST according to the nature and necessity of Products i.e. to adopt a larger rate of GST for liquor and expensive products and smaller GST rate for necessity product in developing countries for generating the higher GST revenue without hampering the purchasing power of lower and middle income earners.

Banik and Das (2017) analyzed the impact and challenges of implementation of GST in India. They found that GST had simplified the existing indirect structure and help in removing the cascading effect of tax. But however, the economy has undergone because of implementation of GST in an unplanned manner. They claimed that prices of goods and services have gone upward after implementation of GST. The author argued to keep the tax system simple and flexible to remove this distortion of implementation of GST.

Lourdunathan and Gupta (2017) found that GST would help in gaining of revenue and resources for both states and centre governments through enhancement in tax compliance and widening of tax base. The E-processing of GST returns, payment and refund of tax by GSTNET without human intervention would help in bringing transparency and diminishing in tax evasion and corruption practices in India. The built-in check on business dealings by seamless credit and electronic processing of return would diminish the scope for generation of black money resulting in productive use of capital. The study suggested for conducting seminar and workshop on GST for educating and improving the participation of businessmen and retailers.

Mani *et al.* (2017) studied the effect of implementation of GST in India on 7 sectorial indices of BSE by analyzing the trading data of 30 days. The period of the study has been classified as pre GST period and post GST period. They have included banking, automobile, IT, manufacturing, real estate and health care sectoral indices of BSE under the study for analyzing the effect of GST adoption on these sectors of Indian economy. The result of the study found significant positive impact of GST adoption on only two indices namely banking and automobile. There was found no significant impact on rest of the five sectors in the study.

Sahoo *et al.* (2017) analyzed the impact of GST on inflation after the adoption of the GST in 11 developed and developing countries in short and long run by applying the box and trio intervention analysis on consumer price index. The result of the study found that there was no significant rise in inflation after implementation of GST in short and long run in all countries under study except for China. The China has shown a significant increase in inflation of 9.81% in the introductory year of GST and 15.215% in the subsequent year of implementation of GST. On the other hand, some countries under the study like New Zealand and Portugal experienced a significant decline in inflation after adoption of GST. The New Zealand experienced a significant decline of 8.54% in inflation in the 2nd year of adoption of GST.

Swain and Das (2017) studied the impact of implementation of GST on economic growth of 30 developing and 20 developed countries. The data was collected from World Bank development indicators. The result of the study found a positive association in economic growth indicators and GST. The study has found a positive effect of implementation of GST on economic growth in developing countries. However no significant impact was found of implementation of GST on economic growth of developed nations.

Morris *et al.* (2017) studied the impact of adoption of GST on CPI in India. The result of the study found that there would be an increase of overall 0.6% on an Average in inflation rate in India. The service sector was expected to bear up the price increase of 0.3% to 0.8% and the manufacturing sector was expected to see inflationary effect of 0.2 to 0.3%. The result revealed that the housing, communication and transportation sector would see an inflationary impact and FMCG and health care sector would see

deflationary impact. The study expected a moderate effect of the proposed GST regime on large fraction of the population.

Singh and Benjamin (2017) predicated the price changes in 15 commonly used commodities in household if the GST was implemented in India. The result of the study showed that the adoption of GST would result in increase in price for some commodities i.e. aerated waters, beverage, Chocolates spreads, corn flakes, chewing gum etc. On the other hand, the prices of some commodities i.e. coconut oils, honey etc. would be reduced after the implementation of the GST. The overall price increased in the selected basket would be of 0.83% which would be a marginal increase. The study concluded that the adoption of GST would be beneficiary for the Indian economy if the benefits of cascading effect of taxes, complexities in current system compared with meager increase (0.83%) in prices.

Gupta (2017) studied the working of GST and VAT in ASIAN countries namely: Singapore, Philippines, Indonesia, Vietnam, Thailand and Malaysia. The result of the study showed that adoption of VAT and its compliance were not as easy job especially for developing countries. The developing countries lack in necessary infrastructure and IT for the efficient administration and enhanced compliance of value added tax. In case of developed ASEAN countries, like Singapore showed improved administration which lead to increase in indirect tax revenue, tax compliance and smooth accomplishment of GST. On the other hand, the developing countries like Vietnam, Thailand etc. although proverb a boost in indirect tax revenue but they face problems in administration and increased in compliance cost especially for small scale businesses and MSMEs. The study suggested that India should learn from the pitfalls of developing countries and successful administration strategies from developed nations like Singapore and Malaysia. The study found that there would be need of regular audit after the adoption of GST in India. The adoption of GST in India although have pull out the cascading effect of tax on taxes but exclusion of some taxes (i.e. stamp duty, electricity duty and registration fees etc.) and product (i.e. Petroleum, crude oil and liquor) from GST purview still offset the achievement of this momentum in India.

Haron (2018) studied the effect of GST implementation on volatility of Malaysian stock market index by using the data from June 2009 to November 2016 in Malaysia. The

outcome of the study showed that the volatility of the stock market index of Malaysia has been increased after the announcement of GST in Malaysia in comparison to pre announcement of GST. The study found that the educative programs introduced by the government were not resulting in yielding helpful results. They found that the result of the study were consistent with the market expectations that the adoption of the GST policy would result in increase in Inflation and might result in reduction in standard of living in Malaysia.

Saran C (2018) studied the impact of change in GST rates and announcement of GST rate on sectoral indices of NSE and Nifty 50 index using OLS regression, GARCH and T-GARCH model. They found that the result of the OLS and GARCH model were not optimum enough to determine the impact of the event on sectoral indices. They found that out of 10 sectors and nifty index selected for the study, 8 sectors have shown a significant and negative impact which showed that the declaration of GST rates reduced the volatility for these sectors. The pharmacy and PSU bank sectors have shown only positive impact of declaration of GST rates. The IT and PSU Bank sector exhibit a highly unsteady response to the declaration of the GST rates.

Das (2019) analyzed that whether there has been any significant pass through on consumer price index after implementation of GST in India. The study have used ordinary least square, difference in differences estimation technique and graphical methods to determine whether there has been any notable pass through of GST on Consumer Price Index. The effect of pre and post adoption of GST has been interpreted though the application of DID technique by dividing the data on the basis of control and treatment groups. The states of the special category have been considered as control group and remaining state as treatment group. The result of the study found that there was no significant impact of increasing bias in the consumer price indexes after the implementation of the GST.

Madathil (2019) studied the variation and impact of GST on consumer price index by taking the data from July 2016 to July 2018. The result of the study showed that every group of the consumer price index has had an increase after the implementation of the GST. There was found to be an increase of 5.9% in general index of CPI after the

adoption of GST in India. However, the result of the t-test showed that there was no significant impact of implementation of GST in India on CPI.

Paliwal *et al.* (2019) studied the effect of GST on tax revenue in India by using the Ancova regression model. The result of the study showed that taxation revenue has become less responsive to the changes in the GDP in India after the introduction of GST. They argued that after the implementation of GST in India, there is decline in the tax burden on the corporate and the consumers which support the rationalization of the Indian government behind the adoption of GST in India.

John and Dhannur (2019) analyzed the effect on Indian economy pre and post adoption of GST. The proxies used to represent the Indian economy were index of industrial production and nifty service. The study has also used some macro economic variables as exogenous to the model. The result of the study showed that the manufacturing sector of India does not showed any marked to the response of EPU. However, a negative impact has been seen on service sector (Nifty-service).

Girish (2019) studied the impact of adoption of GST on national stock exchange of India by taking the NSE-50 index of national stock exchange of India by applying the event study technique. The implementation of GST in India (1st July, 2017) has been considered as event for the study. They have collected the daily data of nifty-50 from 12th June, 2017 to 21st July, 2017. They found that the adoption of GST has positively affected the nifty-50 index of the NSE. The result of the study suggested that the market participants in India have embraced GST and have reacted positively to the adoption of GST in India.

Sagayaraj and Akalya (2019) analyzed the impact of GST on banking sector in India. The result of the study showed that the implementation of GST on banking sector would result in increase in transaction charges, loans, investment and insurance premium for the common layman as the rate of taxation have been increased under the current regime of GST in India for the banking and insurance services.

Khoja and Khan (2020) analyzed the impact of GST on cascading incidence of taxation and revenue collection of government by using the time series data from 1990 to 2017 with the application of simulation equation model. The result of the study showed that the magnitude of the cascading and hidden taxation has been targeted to a reduction in

deadweight leakage from the tax stream of the government. They found that the adoption of the GST has resulted in reduction of the cascading incidence of indirect taxes in India. The reduced cascading effect has resulted in improvement in revenue performance of the State and Central Government.

Kumaraswamy (2020) studied the effect of adoption of GST on the working capital of MSMEs in India. The result of the study showed that the short run working capital requirement of SMEs have seen a huge short run hit as a result of GST. The credit requirements of SMEs have boost up irregularly on one side and the inadequate opportunity of credit, on the further hand, had twisted a liquidity grip on MSMEs. During the period of the study, the production capacity of SMEs had deteriorated, and payments and collections were delayed, profit percentage was reduced and their credit requirements had spurt up.

Gupta and Sangeetha (2020) studied the impact of GST on selected sectoral indices of BSE in India by collecting the data of BSE oil and gas index, BSE auto index, and BSE banking index with the application of paired t-test, Granger‟s causality test and regression. They have taken the data of the closing prices of the sectoral indices from 1st January 2017 to 30th June 2017 as pre GST period and 1st July, 2017 to 31st December as post GST period. The result of the regression model showed that the BSE oil and gas, BSE auto and BSE banking indices have a positive impact on the Sensex index. They found that there was high correlation in specific indices and Sensex index in both pre and post GST period. The degree of the correlation increased from pre GST to post GST period showing the impact of the GST implementation on the performance of the indices.

Pandey (2020) studied the interrelationship in central and state taxes before and after adoption of GST in India by analyzing the data of 38 years from 1980 to 2018-19. The result of the study found a weak relationship in state and central taxes before the adoption of GST in India which was providing loopholes for tax evasion. However after the adoption of the GST in India, the scattered taxes of centre and state government have been unified under an umbrella which helps in curbing the tax evasion practices not only in indirect taxes but also in direct taxes. The adoption of GST has shift the taxes from origin base to destination base.

Muduli and Manik (2020) examined the relationship between economic growth and tax structure in India during 1980-81 to 2016-17. The result of the study found that the states own direct taxes were significantly and negatively correlated with growth of the economy. The distortionary effects of direct taxes negatively affect the investment rates, saving rates and labour rate, thereby reducing the economic growth. On the other hand, the indirect taxes positively associated with economic growth due to their non-distortionary effect on economic growth. Therefore, the study concluded to increase the government revenue by increasing the indirect taxes in spite of direct taxes as long as economic growth is considered.

Manjunath (2021) examined the impact of GST on FMCG companies in India. They found that GST implementation has a significant impact on FMCG sector in India. Most of the FMCG companies have noticed a boost in their sales after the implementation of the GST in India. But they found that the government would have implemented the GST at the end of the year to resolve the compliance and problems of the business owners. They suggested that free software for GST computation and filling of GST return should be provided by GSTN for cost minimization for small business owners.

3. **Research Gap:** After reviewing the available literature on GST, it has been observed that the implementation of GST in India is one of the biggest transformations in indirect taxation in India. It will help in eliminating cascading effect of taxation, reducing tax burden on final consumers and improving the efficiency and transparency in taxation system in India. In spite of this, the research on GST still remains in its Infancy. By reviewing the available literature, some research gap has been identified for the present study. A lot of studies have been carry out before the adoption of GST in India. Therefore there is a need to study the performance of GST since near about 4 years have been passed out to the adoption of GST in India. A lot of myths exist in India that the adoption of GST has resulted in boosting inflation in India. A few studies such as Valadkhani and Layton (2004), Sahoo *et al.* (2017), Valadkhani (2005) have been conducted in foreign literature on impact of GST on consumer price index, but studies on impact of GST on consumer price index are fewer in Indian context and limited to some specific consumer price index baskets. There is also a need to examine the impact of GST on consumer price index in long run in Indian context as most of the Indian studies have covered a

short span of 1-2 years. Therefore there is a need to conduct a study on impact of GST implementation on consumer price index in India. The adoption of GST in India has changed the tax rate and tax structure for almost all the industries of the Indian economy. Some industries have gained a benefit from it, while other has bear up an increase in tax rate. Therefore, it becomes necessary to study the impact of GST Announcement on Sectoral Indices of various industries in India. A couple of studies conducted by Manjunath (2021), and Sagyaraj and Akalya (2019) have covered only a single sector of Indian economy i.e. FMCG and banking sector respectively. Gupta and Sangeetha (2020) studied the impact of GST on 7 sectorial indices of BSE, but ignored other sectorial indices. Here, the present study will focus on studying the impact of GST Announcement on sectorial indices of NSE. A further study can be conducted which will simultaneously study the impact of GST on sectorial indices of NSE and BSE and comparing the result of NSE and BSE sectorial indices. Most of the business taxpayers rely on their tax consultants to handle their tax liability. A tax consultant is an important person that acts as a mediator between the taxpayer and the tax authority. The tax consultant acts on behalf of the taxpayers and often represents them while dealing with the tax authority. Most of the tax returns of the taxpayers is prepared and submitted by the tax consultant on behalf of their clients. Hence, the tax agent is a good source of information for the government (Zanial *et al.* 2013). Therefore, it become necessary to study the perception of tax consultant towards the introduction of GST, as their perception would reflect the taxpayers' opinion. But there is hardly found any study on perception of GST consultants on implementation of GST in India. As they are directly involved with the tax payers, it become necessary to study their perception as it will be beneficiary for the government and policy makers for policy formulation in future. Therefore, the present study will focus on filling these research gaps by evaluating the impact of GST on Indian economy and sectoral indices of BSE and NSE.

4. **Statement of Research Problem:** Presently in India, the adoption of GST is considered as one of the biggest reform for the indirect tax structure since it began to be opened up 25 years ago. Since GST has been adopted around the world by majority of the countries, it carries an affluent history of successes and failures. Hence, GST needs to be examined from various angles to input India and probably other countries in the list of countries

which have experienced a positive-sum game. The most common dread regarding the post-adoption impacts of GST is the effect on inflation which has already been a disquieting worry for India since many years. A lot of studies conducted on impact of GST adoption on inflation have found a positive impact of GST reform on inflation around the world (Valadkhani and Layton, 2004, Morris *et al.* 2007, Madathil, 2019, and Sahoo *et al*. 2017). Therefore, it becomes necessary to study the impact of GST adoption on inflation in India as inflation is a firing issue for Indian economy from past a decade. As the adoption of GST has changed the tax structure for the whole Indian economy, there is a need to study the effect of GST announcement on Sectorial Indices of NSE. The implementation of the GST in India has a direct influence on the business, compliance behavior, and compliance cost of the tax payers. Therefore, it becomes necessary to study the impact of GST on the taxpayers in India. The most of the taxpayers in India are dependent on the tax consultant for preparing, filling and paying their tax liability. As the tax payers are directly involved with the GST consultants, it become necessary to study their perception as it would be beneficiary for the government and policy makers for policy formulation in future. Therefore, the present study will focus on filling these research gaps by evaluating the impact of GST on Indian economy.

5. **Research Objectives:** The broad objective of the study is to examine the impact of adoption of GST tax reforms on Indian economy which are classified in following sub objectives:
    i. To study the trend of indirect tax revenue before and after adoption of GST in India;
    ii. To evaluate the impact of Goods and Service tax on economic growth of Indian economy as a proxy by GDP;
    iii. To examine the effect of GST implementation on Consumer Price Index in India;
    iv. To examine the effect of GST announcement on Sectorial Indices of National Stock Exchange; and
    v. To study the perception of GST consultants on impact of implementation of GST in India.
6. **Research Methodology:** Research methodology is a specific method or procedure used to identify, collect, process and analyze information about a research topic. The research methodology section allows the researchers to critically evaluate the validity and

reliability of the study. This section answers the question of how the data for the study will be collected and analyzed to achieve the objective of the study. Therefore, methodology section plays a very crucial role in the research.

6.1 **Research Design:** The Research design is a framework or a well organized plan used by a researcher to conduct a study. The present study will be exploratory cum descriptive in nature.

6.2 **Type of the Data:** The present study will use both primary and secondary sources of data. Various sources such as RBI Handbook of Statistics on Indian Economy for figures related to GDP, consumer price index, GST website for state-wise tax revenue, GST Council Statistics for Indian tax revenue, RBI Handbook of Statistics on the Indian States, website of NSE for sectorial indices data etc. will be used. The primary data will be collected through structured questionnaire survey from GST consultant regarding their perception on implementation of GST in India. The time period for the study will be approximately of 10 years starting from 2012 and onwards.

6.3 **Sample Unit:** The sample unit for the study will be GST consultant i.e. chartered accountant, accountant and lawyers performing the task of filling the GST returns in Haryana.

6.4 **Sample Size:** The targeted population of the study is the GST tax consultant performing the work of GST return in Haryana. As it is not possible to collect information from each unit of the population, therefore a random sample of approximately 240 GST consultant will be selected from the target population of the study.

6.5 **Sampling Technique:** For selecting the sample for the study, the Non-probability, Purposive and convenience sampling method will be used.

6.6 **Statistical Tools:** For the purpose of achieving the objective of the study, various suitable statistical tools such as Average, standard deviation, Anova, Regression Analysis etc., as per the need of the study, will be used.

7. Hypothesis of the Study: In the light of the objectives following alternate hypothesis have been formulated on the basis of literature studied:

H_0: The perception of GST consultant does not differ significantly on impact of GST implementation.

H_1: The perception of GST consultant differs significantly on impact of GST implementation.

8. **Significance of Study:** This study will examine the impact of GST on Indian economy, as introduced in India with effect from July, 2017. From a past decade, India is consistently facing the issue of inflation and price hike. The implementation of GST has a direct effect on the inflation or consumer price Index. Therefore the present study will try to find out the impact of GST implementation on inflation. This will help the policy makers and government authorities in making the necessary modifications in the GST rates. GST is also source of revenue for the Indian Government. The taxation revenue of government stood at nearly 10% of GDP of which 4.4% constitute from indirect taxes. Therefore, it becomes necessary to study the impact of GST after its adoption as it occupies a major share in government revenue. This study will be helpful for government, tax authorities, academicians and researchers. It will help the taxation authorities in ensuring a tax mechanism that best suits the requirements of our country. The announcement of the GST rate in India has a direct bearing on the cost and profitability of all industries which came under the ambit of GST law. This study will help in determining the impact of GST rate announcement on various sectoral indices of the Indian economy. The perception of GST consultant regarding GST implementation in India will help the tax authorities, government and policy makers in determining the impact of GST adoption on the business of clients of GST consultants and Indian economy. This will help the policy makers in making the necessary modification in their policies to reduce the compliance gap of GST.
9. **Organization of the Study:** The tentative chapter scheme of the study will be organized as follows:

Chapter I: Introduction:

This chapter will include the introductory part of the study i.e. overview of GST, functioning of GST, its performance and growth.

Chapter II: Review of Literature:

In this chapter, literature related to the topic will be reviewed to understand the present status of research work in this area and to find out the research gaps.

III. Research Methodology

In this chapter, problem statement, scope and relevance of the study, objective of the study, research design, sample size, hypothesis formulation, data collection, tools and techniques to be used in study, limitations of the study will be discussed.

IV. Analysis and Interpretation

This chapter will deal with the analysis of the collected data to accomplish the objectives of the study and to interpret the result of the study.

V. Conclusion and Recommendations

This chapter will summarize the major findings of the study. It will also provide some recommendations based on research findings towards the end of the research work, comprehensive bibliography on the subject and some appendices will be provided.

10. References

Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax compliance. *Journal of economic literature*, *36*(2), 818-860.

Bidin Zainol, M. M. & A.J. (2013). Perceptions of tax agents towards the proposed Goods and Service Tax in Malaysia. . *International Journal of Creative Research Thoughts (IJCRT), 8* (3), 821-828.

Das, D. (2018). GST Pass-through across Indian Sates: Evidence from Difference-in-Differences. *The Indian Economic Journal*, *66*(1-2), 42-49.

Das-Gupta, A., Lahiri, R., &Mookherjee, D. (1995). Income tax compliance in India: An empirical analysis. *World Development*, *23*(12), 2051-2064.

Dash, A. (2017). Positive and negative impact of GST on Indian economy. *International Journal of Management and Applied Science*, *3*(5), 158-160.

Eeshan Gupta, S. R. (2020). A Study on the impact of GST on the performance of Specific Indices of Bombay Stock Exchange India. *International Journal of Creative Research Thoughts (IJCRT), 8* (3), 821-828.

Girish, G. P. (2019). Impact of Implementation of Goods and Services Tax on Nifty 50 Index of National Stock Exchange of India. *Theoretical Economics Letters*, *9*(1), 172-179.

Gupta, N. (2014). Goods and Services Tax: It‟s Impact on Indian Economy. *International Research Journal of Commerce Arts and Science*, *5*(3), 130-137.

Gupta, S. (2017). Goods and Services Tax (GST): A Comparative Study of Select ASEAN Countries. *VISION: Journal of Indian Taxation*, *4*(1), 79-102.

Hakim, T.A., Karia, A. A., &Bujang, I. (2016). Does goods and services tax stimulate economic growth? International evidence. *Journal of Business and Retail Management Research*, *10*(3), 137-146.

Haron, R., &Ayojimi, S. M. (2019). The impact of GST implementation on the Malaysian stock market index volatility: An empirical approach. *Journal of Asian Business and Economic Studies*. *26*(1), 17-33.

Harun, M. (2020). Estimating the impact of GST implementation on cost of production and cost of living in Malaysia. *Journal Ekonomi Malaysia*, *50*(2), 15-30. DOI 10.17576/JEM-2016-5002-02

Ibrahim, M., Musah, A., & Abdul-Hanan, A. (2015). Beyond enforcement: what drives tax morale in Ghana?. *Humanomics*. *31*(4), 399-414.

John, A. R., &Dhannur, V. (2019). GST Reform and its Economic Impact - A VAR Perspective. *SAMVAD*, *17*, 17-22.

Kadir, J. A., Yusof, Z., &Aslam, M. Macroeconomic Effects of Goods and Services Tax (GST) in Malaysia. Retrieved on 8 April, 2021 from https://www.researchgate.net/publication/334646162_Macroeconomic_Effects_of_Goods_and_Services_Tax_GST_in_Malaysia.

Khan, M., &Shadab, N. (2012). Goods and Services Tax (GST) in India: Prospect for States. *Budgetary Research Review (BRR)*, *4*(1), 38-64.

Khoja, I. A., & Khan, N. A. (2020). Goods and services tax, cascading, and revenue performance: Analyzing Indian commodity taxation market. *Journal of Public Affairs*, *20*(3), 1-11.

Koch, S. F., Schoeman, N. J., & Van Tonder, J. J. (2005). Economic growth and the structure of taxes in South Africa: 1960–2002. *South African Journal of Economics*, *73*(2), 190-210.

Kour, M., Chaudhary, K., Singh, S., & Kaur, B. (2016). A study on impact of GST after its implementation. *International Journal of Innovative studies in sociology and humanities*, *1*(2), 17-24.

Kumaraswamy, S. (2020).Goods and services tax shock on small and medium enterprises working capital in India. *Entrepreneurship and Sustainability Issues, 7*(4), 3464-3476.

Liberati, P. (2001).The distributional effects of indirect tax changes in Italy. *International Tax and Public Finance, 8*(1), 27-51.

Lourdunathan, F., & Xavier, P. (2017). A study on implementation of goods and services tax (GST) in India: Prospectus and challenges. *International Journal of Applied Research*, *3*(1), 626-629.

Madathil, J. C. (2019). Before and After GST: Impact in CPI (Consumer price Index) of India. *IJRAR-International Journal of Research and Analytical Reviews (IJRAR), 6*(2), 167-186.

Mani, A., Singh, A., &Chinmayi, C. V. (2017). Impact of GST on Seven Selected Sectorial Indices of BSE *1*(7), 33-37.

Manjunath, A.D. (2021). A Study on Impact of GST on FMCG Companies in India. *International Journal of Recent Advances in Multidisciplinary Topics,2*(2), 16-19.

Morris, S., Pandey, A., Agarwalla, S. K., &Agarwalla, A. (2018). *Impact of the Proposed GST on the Consumer Price Index in India* (Indian Institute of Management Ahmedabad Working Paper No. 2018-07-02).https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3222459

Muduli, D. K., &Manik, N. (2020). Tax structure and economic growth in general category states in India: A panel auto regressive distributed lag approach. *Theoretical and Applied Economics*, *27*(2), 225-240.

Mukherjee, S. (2015). Present state of goods and services tax (GST) reform in India Tax and Transfer Policy Institute Working Paper No. 6/2015. Retrieved on 8 April, 2021 from SSRN: https://ssrn.com/abstract=2694349 or http://dx. doi.org/10.2139/ssrn.2694349.

Nepram, D. (2011). State-level value added tax and its revenue implications in India: A panel data analysis. *Margin: The Journal of Applied Economic Research, 5*(2), 245-265.

Paliwal, U. L., Saxena, N. K., & Pandey, A. (2019). Analysing the impact of GST on tax revenue in India: the tax buoyancy approach. *International Journal of Economics and Business Administration, 7*(4), 514-523.

Pandey, P. K. (2020). An examination of interrelationship between central and states taxes in India before and after implementation of GST: A johansencointegration approach. *VISION: Journal of Indian Taxation, 7*(2), 1-16.

Poddar, S., & Ahmad, E. (2009). *GST reforms and intergovernmental considerations in India*. (Government of India, Ministry of Finance, Department of Economic Affairs Working Paper No 1). Retrieved on 26 march from http://chrisvinc.com/wp-content/uploads/2015/11/3.-Satya-Poddar-and-Ehtisham-Ahmad-GST-Reforms-and-Intergovernmental-Considerations-in-India.pdf

Purohit, M. C. (1992). Structure of commodity taxes in India: Some policy prescriptions for reforms. *National Institute of Public Finance and Policy*. Retrieved on 9 April, 2021 from https://www.nipfp.org.in/media/pdf/working_papers/WP_1992_107.pdf.

Purohit, M. C., &Purohit, V. K. (2010). Goods and services tax in India: An empirical analysis of revenue implications. *The Indian Economic Journal, 58*(1), 33-59.

Rupa, R. (2017). GST in India: An Overview. *International Education & Research Journal, 3*(2), 88-89.

Sahoo, B. P., Jain, N., & Jain, G. (2017). A study on Impact of Implementation of GST on Inflation in selected countries: An Intervention Model. *Asian Journal of Management, 8*(2), 246-250.

Sankar, R. (2017). GST: impact and implications on various industries in Indian economy. *The Journal of Internet Banking and Commerce, 22*(2), 1-9.

Saran, S. C. (2018). Effect of Declaration of GST Rates and Changes in the GST Rates on the Sectorial Indices of National Stock Market. *Indian Journal of Commerce and Management Studies, 9*(2), 51-58.

Sehrawat, M., &Dhanda, U. (2015). GST in India: A key tax reform. *International Journal of Research-Granthaalayah, 3*(12), 133-141.

Shaik, S., Sameera, S. A., &Firoz, M. S. C. (2015).Does goods and services tax (GST) leads to Indian economic development. *IOSR Journal of Business and Management, 17*(12), 1-5.

Singh, A., & Benjamin, R. (2017). An Analysis of Price Forecast &the Price Level Changes Owing to the Implementation of GST in India. *International Journal of Financial Management (IJFM), 6*(5), 1-4.

Subhamoy Banik, A. A. (2017). GST in India: Impact and challenges. *IOSR Journal of Business and Management, 19* (12), 7-10.

Swain, C. P. (2017). GST: It‟s Impact on Economic Growth With Special reference To Developed and Developing Countries. *Researchers world : journal of arts, science and commerce, 8* (3), 87-93.

T. Arockia Sagayaraj, V. A. (2019). Impact of GST on Indian Banking Sector. *Recent Research Trends in Management and Social Science* , 1-6. Retrieved on 26 march from http://www.editedbook.in/pdf/recent-research-trends-management-and-social-science.pdf#page=9

Valadkhani, A., & Layton, A. P. (2004). Quantifying the effect of the GST on inflation in Australia's capital cities: An intervention analysis. *Australian Economic Review, 37*(2), 125-138.

Vasanthagopal, R. (2011). GST in India: A big leap in the indirect taxation system. *International Journal of Trade, Economics and Finance, 2*(2), 144-146.

Viswanathan, B. (2015). Belated VAT gains in Indian states: Right time to switchover to goods and services tax. *The Indian Economic Journal, 63*(1), 129-148.

Supervised By:	Co-Supervised By:	Submitted BY:
Prof. Karam Pal Narwal	Prof. Sanjeev Kumar	Shubham Garg
Haryana School of Business	Haryana School of Business	Research Scholar
GJUS&T, Hisar	GJUS&T, Hisar	Roll No.-190100090157
(Signature)	**(Signature)**	**(Signature)**